

Background

The Political Subdivisions Interim Committee heard a presentation from the Office of the Legislative Auditor General at the August interim meeting regarding “A Review of Best Practices for Internal Control of Limited Purpose Entities.” The committee created a working group to analyze the audit’s recommendations and consider drafting legislation. The list below contains the group’s recommendations and suggestions for further discussion by the committee.

Recommendations

1. Draft legislation to create a registry and amend financial reporting and transparency compliance provisions.

Registry recommendations include:

- ✓ Require the Lieutenant Governor’s Office (LGO) to create and maintain a web-based registry on the LGO’s website.
- ✓ Require all separate legal entities that are not a state executive branch agency, state legislative office, or judicial entity to **register** and **annually renew** their registration, which includes:
 - Counties, cities, towns, metro townships;
 - Local districts, special service districts, community reinvestment agencies, conservation districts, local building authorities, interlocal entities, government nonprofit corporations, health departments, housing authorities;
 - If they are governmental, local mental health authorities, substance abuse authorities, area agencies;
 - School districts and charter schools; and
 - All independent state entities.

Compliance recommendations include:

- ✓ Impose a penalty if an entity fails to register or fails to renew.
- ✓ Modify the State Auditor’s compliance notification process to include the notification of a noncompliant entity’s board members (or chairperson).
- ✓ Keep the State Auditor’s ability to freeze bank accounts for noncompliance with budget requirements, and extend that ability to freeze bank accounts for entities that don’t comply with financial disclosure and transparency requirements.

2. Draft legislation to direct each county to publish on its website information about the boards of each public organization in the county.

Further Discussion Needed

1. The audit made two additional recommendations for which the working group is still considering:
 - Authorize counties to oversee entities that continuously fail to comply with state laws.
 - Recommend a review of Utah’s governmental nonprofit entities to the Legislative Audit Subcommittee.
2. Paying for the registry, which includes costs to create (one-time) and maintain (ongoing). Options include:
 - a. Charging the entities that register an initial and renewal fee. Fees could be tiered based on the size or budget of the entity; or
 - b. Legislative appropriation.